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HILLAIR CAPITAL MANAGEMENT, LLC

**UNITED STATES BANKRUPTCY COURT**  
**CENTRAL DISTRICT OF CALIFORNIA**  
**LOS ANGELES DIVISION**

In re  
  
SCOOBEEZ, INC., et al.  
  
Debtors and Debtors  
in Possession.

Lead Case No. 2:19-bk-14989-WB  
  
Chapter 11  
  
(Jointly Administered with  
Case Nos. 2:19-bk-14991; 2:19-bk-14997)

**Affects:**

- ☒ All Debtors  
☐ SCOOBEEZ, INC., only  
☐ SCOOBEEZ GLOBAL, INC.  
only  
☐ SCOOBUR, LLC only

**SECOND STIPULATION BETWEEN THE  
DEBTORS, THE COMMITTEE AND HILLAIR  
CAPITAL MANAGEMENT FOR  
(1) AUTHORIZATION TO USE CASH  
COLLATERAL ON AN INTERIM BASIS;  
(2) APPOINTMENT OF A CHIEF  
RESTRUCTURING OFFICER**

**Hearing:**

Date: June 6, 2019  
Time: 10:00 a.m.  
Place: U.S. Bankruptcy Court  
Courtroom 1375  
255 East Temple Street  
Los Angeles, CA 90012

1 **TO THE HONORABLE JULIA BRAND, UNITED STATES BANKRUPTCY JUDGE,**  
2 **THE DEBTORS, THEIR COUNSEL AND ALL PARTIES IN INTEREST:**

3 Hillair Capital Management LLC and Hillair Capital Advisors LLC, the general partner of  
4 Hillair Capital Investments LP (collectively, “Hillair”), Scoobeez, Inc., a California corporation,  
5 debtor in the above-captioned chapter 11 bankruptcy case (“Scoobeez”), and its affiliated debtors,  
6 Scoobeez Global, Inc., an Idaho corporation (formerly known as ABT Holdings, Inc.) (“Scoobeez  
7 Global”) and Scoobur, LLC, a California limited liability company (“Scoobur”) (collectively, the  
8 “Debtors”), and the Official Committee of Unsecured Creditors (the “Committee”),<sup>1</sup> by and  
9 through their respective counsel of record, hereby enter into this *Second Stipulation for*  
10 *(1) Authorization to Use Cash Collateral; and (2) Appointment of Chief Restructuring Officer*  
11 (the “Stipulation”) as follows.

12 **RECITALS**

13 **I. The Debtors’ secured obligations to Hillair.**

14 A. On October 7, 2016, Scoobeez Global and Hillair entered into that certain  
15 Securities Purchase Agreement (the “First SPA”). Under the First SPA, Scoobeez Global issued  
16 to Hillair its 8% Senior Secured Convertible Debenture Due October 1, 2018 in the principal sum  
17 of \$5,800,000 due on October 1, 2018 (the “First Debenture”).

18 B. On January 30, 2017, Scoobeez Global and Hillair entered into that certain  
19 Securities Purchase Agreement (the “Second SPA”). Under the Second SPA, Scoobeez Global  
20 issued to Hillair its 8% Senior Secured Convertible Debenture Due January 1, 2019 in the  
21 principal sum of \$8,584,000 (the “Second Debenture”) due on or before January 1, 2019 (the  
22 “Maturity Date”). The Second Debenture includes the obligations of Scoobeez Global to Hillair  
23 due under the First Debenture.

24 C. On October 7, 2016, the Debtors entered into that certain Subsidiary Guarantee in  
25 favor of Hillair. Under the Subsidiary Guarantee, Scoobeez and Scoobur, jointly and severally,  
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28 <sup>1</sup> Hillair, Scoobeez, Scoobeez Global, Scoobur, and the Committee are collectively referred to here in as the  
“Parties” and as to each, a “Party”.

1 unconditionally guaranteed the repayment of Scoobeez Global's obligations to Hillair. To secure  
2 repayment of all obligations owing to Hillair, on October 7, 2016, the Debtors, jointly and  
3 severally, executed a Security Agreement (the "Security Agreement").

4 D. The Security Agreement granted Hillair a security interest in substantially all of  
5 the assets of the Debtors, including cash, cash equivalents, accounts receivable and the proceeds  
6 thereof. Hillair duly perfected its security interest in the assets by filing UCC-1 financing  
7 statements as follows: (a) as to Scoobeez Global, a financing statement was filed with the Idaho  
8 Secretary of State on October 11, 2016, as File No. B-2016-1183112-1; (b) as to Scoobeez, a  
9 financing statement was filed with the California Secretary of State on October 11, 2016 as File  
10 No. 16-7550581531; (c) as to Scoobur, a financing statement was filed with the California  
11 Secretary of State on October 11, 2016 as file no. 16-7550581210. The First SPA, the First  
12 Debenture, the Second SPA, the Second Debenture, the Subsidiary Guarantee, the Security  
13 Agreement and the UCC-1 Financing Statements are collectively referred to herein as the "Loan  
14 Documents."

15 **II. The Debtors file their chapter 11 bankruptcy cases.**

16 E. On April 30, 2019 (the "Petition Date"), the Debtors each filed their own voluntary  
17 chapter 11 petitions thereby commencing the above-captioned, jointly-administered, chapter 11  
18 bankruptcy case (the "Bankruptcy Case"). On May 1, 2019, at the hearing on the Debtors' "first-  
19 day" motions seeking authorization (1) for the Debtors' interim use of cash collateral [Docket No.  
20 13]; (2) to continue the maintenance of existing bank accounts and cash management systems  
21 [Docket No. 7]; and (3) the payment of prepetition wages and continuation of employee programs  
22 [Docket No. 8], the Court authorized interim use of cash collateral though May 14, 2019, subject  
23 to further briefing and a further hearing on the continued use of cash collateral.

24 F. On May 15, 2019, the Court entered its *Order Regarding Debtors' Emergency*  
25 *Motion for Entry of Interim Order: (1) Authorizing Use of Cash Collateral on an Interim Basis*  
26 *and (2) Granting Related Relief* [Docket No. 52].  
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1 G. On May 16, 2019, the Debtors filed its *Application for an Order Authorizing and*  
2 *Approving (I) Appointing Brian Weiss as Chief Restructuring Officer of the Debtors Nunc Pro*  
3 *Tunc to May 16, 2019* [Docket No. 63] (the “CRO Application”). On June 6, 2019, the Court  
4 granted the CRO Application.

5 H. On May 20, 2019, the United States Trustee filed its *Notice of Appointment and*  
6 *Appointment of Committee of Creditors Holding Unsecured Claims* [Docket No. 72] thereby  
7 appointing the Committee.

8 I. This Stipulation came before the Court for a duly noticed hearing on June 6, 2019.

9 NOW, THEREFORE, based upon the foregoing Recitals, and for good and valuable  
10 consideration, the receipt and sufficiency of which are hereby acknowledged by the parties, and  
11 the parties hereto intending to be legally bound hereby, by and through their respective attorneys  
12 of record, hereby agree and stipulate as follows:

13 **AGREEMENT**

14 **1. Incorporation of Recitals.**

15 1.1 The Recitals set forth above is incorporated herein by this reference and  
16 shall be deemed a material part of this Stipulation, provided that such Recitals only bind the  
17 Debtors and do not prejudice the rights of the Committee, subject to the provisions in Paragraph  
18 5.6 of this Stipulation..

19 **2. Prepetition Obligations and Security Interests.**

20 2.1 The Debtors, on their own behalf, (without binding the Committee or their  
21 bankruptcy estates (the “Estates”), but subject to the provisions in Paragraph 5.6 of this  
22 Stipulation) admit, stipulate and agree as follows:

23 (a) Prepetition Obligations. As of the Petition Date, the Debtors were  
24 obligated to Hillair for the obligations arising under or relating to the prepetition Loan Documents  
25 (collectively, the “Prepetition Obligations”). The Prepetition Obligations (1) were fully  
26 accelerated, due and payable to Hillair in the aggregate principal amount of not less than  
27 \$11,108,500.00, plus additional interest, costs, fees and charges recoverable under the documents  
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1 or by law, if any, and net of prepayments, if any, (2) constitute legal, valid, binding and  
2 enforceable obligations of the Debtors, and (3) are not subject to any objection, offset, avoidance,  
3 subordination or other claim or challenge of any nature under the Bankruptcy Code, any other  
4 applicable law, contract or otherwise.

5 (b) Prepetition Liens and Collateral. As of the Petition Date, the  
6 Prepetition Obligations were secured by certain liens and security interests in favor of Hillair (the  
7 “Prepetition Liens”). The Prepetition Liens (a) encumber all of the Debtors’ right, title and  
8 interest in all of the assets defined in the Security Agreement as “Collateral” and as more  
9 particularly described in **Exhibit A** attached hereto to this Stipulation (the “Prepetition  
10 Collateral”), (b) secure performance of the Prepetition Obligations pursuant to the Loan  
11 Documents, (c) constitute legal, valid, enforceable, non-avoidable and duly perfected security  
12 interests and liens in and upon the Prepetition Collateral in favor of Hillair, subject to the Carve-  
13 Out (as defined below), (d) are not subject to any objection, offset, avoidance, subordination or  
14 other claim or challenge of any nature by the Debtors under the Bankruptcy Code, any other  
15 applicable law, contract or otherwise, and (e) were granted by the Debtors for fair and sufficient  
16 consideration and reasonably equivalent value, contemporaneously with the making of the loans  
17 or commitments to make loans and other financial accommodations secured thereby. Pursuant to  
18 the Loan Documents, Hillair has a valid, perfected, and unavoidable security interest in the  
19 Prepetition Collateral, which includes, at a minimum, all “Cash Collateral” as that term is defined  
20 in Section 363(a) (collectively, the “Cash Collateral”).

21 (c) No Claims Against Hillair. The Debtors have no valid claims (as  
22 such term is defined in section 101(5) of the Bankruptcy Code) or causes of action against Hillair  
23 with respect to the Loan Documents or the Prepetition Obligations, whether arising at law or at  
24 equity, including, without limitation, any recharacterization, subordination, avoidance or other  
25 claims arising under or pursuant to sections 105, 510, 541 or 542 through 553, inclusive, and are  
26 deemed to have released any such claim or cause of action.

(d) Right to Credit Bid. In connection with any sale of assets pursuant to section 363 of the Bankruptcy Code, the Debtors are aware of the applicability of section 363(k) and expressly waive any right to object to a credit bid submitted by Hillair under section 363(k) in connection with the sale of Hillair's collateral. This waiver does not extend to the rights of any other parties in interest, including the Committee.

3. **Authorization for Use of Cash Collateral.**

3.1 Request for Use of Cash Collateral. The Debtors have requested the use of the Cash Collateral, and Hillair is willing to consent to such use of Cash Collateral upon the admissions, agreements, terms and conditions contained in this Stipulation and the entry of an order approving this Stipulation.

3.2 Need for Use of Cash Collateral. The Debtors have an immediate need for the use of Cash Collateral in order to permit, among other tasks, the orderly continuation of the operation of their business, to minimize the disruption of their business operations, and to manage and preserve the assets of their estates.

3.3 Authorized Use of Cash Collateral. Subject to the terms and conditions of this Stipulation, the Debtors shall only be entitled to use the Cash Collateral for payment of the following expenses:

(a) "Authorized Expenses" comprising only the current necessary, reasonable, and ordinary expenses of the Debtors actually incurred after the Petition Date as set forth and not to exceed the amounts set forth in the weekly budget attached hereto as **Exhibit B** for the period from June 7, 2019 through June 28, 2019 and incorporated herein by this reference (the "Budget"), subject only to modification by express mutual consent of the parties in writing. The Debtors may not exceed any line item budget amount by a variance of 10% for each category line item in the Budget. Allowed amounts not paid by the Debtors in each budget category during each week may carry over to the next succeeding week only on a line item by line item basis.

(b) An "Emergency Expense" comprising only that expense relating to an emergency which is not an Authorized Expense and for which it is not feasible to provide

1 advance notice to Hillair and for which the Debtors and the Chief Restructuring Officer in good  
2 faith believe must be incurred immediately in order to mitigate damage to the Collateral or to  
3 avoid (i) possible health and safety concerns, or (ii) damage or harm to the Collateral, not to  
4 exceed the amount of \$2,500 for any one particular expense. In each circumstance when the  
5 Debtors has paid an Emergency Expense, the Debtors shall advise Hillair as soon as possible but  
6 not later than the next business day, in writing by fax, the amount of the expenditure, the nature of  
7 the emergency, and the reason that advance approval was not practical. If Hillair believes that  
8 such expenditure or the amount thereof was not warranted under the circumstances, Hillair shall  
9 be entitled to an *ex parte* hearing on forty-eight (48) hours' notice regarding termination of this  
10 Stipulation, prohibition of any further use of the Cash Collateral by Debtors, and other remedies  
11 available to Hillair pursuant to this Stipulation, or by contract or law.

12               3.4     Limitation on the Use of Cash Collateral. Notwithstanding any other term  
13 to the contrary in this Stipulation, the Debtors shall not use the Cash Collateral:

14               (a)     to pay any obligation owed to any party (other than to Hillair) on  
15 account of or relating to services and/or product provided prior to the Petition Date,  
16 including without limitation, obligations relating to the provision or sale of goods,  
17 materials or services, or obligations on account of purchase orders, that were provided by  
18 the Debtors prior to the Petition Date, unless authorized by the Court pursuant to a  
19 properly noticed motion;

20               (b)     from the sale or disposition of assets of the Debtors outside the  
21 ordinary course of business of the Debtors;

22               (c)     to pay to or for the benefit of the Debtors or any principal,  
23 shareholder, or insider of the Debtor, any management person or entity retained by the  
24 Debtors or the Debtors' estate, whether directly or indirectly, except as expressly  
25 approved and agreed in writing by Hillair; or

26               (d)     in connection with any action or proceeding against Hillair.  
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1                   3.5     Ordinary Course of Business. Except as otherwise permitted by Court  
2 order or as authorized by Hillair, the Debtors shall conduct their business operations in the  
3 ordinary course and on ordinary and customary terms consistent with the terms and manner by the  
4 Debtors prior to the Petition Date.

5                   3.6     Adequate Protection for Use of Cash Collateral. As additional adequate  
6 protection of Hillair's interest in the Cash Collateral, the Debtors are authorized and directed to  
7 pay Hillair \$40,000 in cash via wire transfer per week as set forth in the Budget, plus the  
8 reasonable and documented fees and expenses of Hillair's professionals as set forth in the Budget  
9 subject to the requirements of Paragraph 3.7 of this Stipulation. Immediately upon entry of the  
10 Order approving this Stipulation, the Debtors shall commence payment of the weekly \$40,000  
11 adequate protection payments on June 12, 2019, and then payable on each Wednesday thereafter  
12 for the period from June 7, 2019 through June 28, 2019. All payments made under this  
13 Stipulation shall be made in accordance with the terms expressly set forth in the loan documents  
14 and in effect before the Petition Date or as further directed by Hillair. The adequate protection  
15 payments shall first be applied to accrued, but unpaid interest and expenses; provided, however,  
16 that if Hillair's secured claim is undersecured, then the postpetition payments received (regardless  
17 of how previously applied) shall be applied to reduce the principal balance of the secured portion  
18 of Hillair's claim, if any.

19                   3.7     Reimbursement of Hillair's Professional's Fees and Expenses. Hillair's  
20 entitlement to the reimbursement of reasonable fees and expenses incurred by its professionals  
21 shall be without the need for the filing of a formal fee application in the Bankruptcy Cases.  
22 However, prior to the Debtors' payment of Hillair's fees and expenses, Hillair shall submit via  
23 email to counsel for the Debtors and counsel for the Committee supporting documentation related  
24 to the fees at issue for review. The Debtors and the Committee shall have 14 days to review such  
25 documentation. If neither the Debtors nor the Committee file in the Bankruptcy Cases an  
26 objection to the payment of such fees, the Debtors shall reimburse Hillair for the professional fees  
27 and costs as submitted.  
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1                   3.8     Submission of Sale Proposal and Related Timeline. On or before June 14,  
2 2019, Hillair shall provide the Debtors with a proposed term sheet for the purchase and sale of the  
3 Debtors' assets with Hillair being the stalking horse bidder. On or before June 14, 2019, the CRO  
4 shall begin the process of interviewing potential investment bankers to evaluate a proposed sale  
5 of the assets. The Debtors shall have until June 27, 2019 to evaluate, after negotiation with  
6 Hillair, whether such a sale is in the best interest of the Estates. In connection with those  
7 negotiations, if Hillair and the Debtors agree upon such a sale and a process for such a sale, the  
8 Debtors and Hillair shall submit a timeline for the proposed sale in a subsequent pleading to be  
9 filed with the Court in connection with the continued use of cash collateral. The Debtors reserve  
10 the right to include a "fiduciary out" provision within any sale procedures motion.

11                   4.     **Appointment of a Chief Restructuring Officer.**

12                   4.1     The Debtors have consented to the appointment of a Chief Restructuring  
13 Officer ("CRO"), who is acceptable to Hillair, to oversee the financial and operational functions  
14 of the Debtors, and to maintain an oversight role over the administration of the Debtors'  
15 Bankruptcy Case and their Estates. On June 6, 2019, the Court granted the CRO Application.

16                   4.2     The Debtors agree that all use of Cash Collateral shall be authorized and  
17 approved by the CRO. Hillair and the Committee shall be permitted to obtain financial reporting  
18 directly from the Debtors, the CRO, the Debtors' financial advisors or investment banker, and the  
19 Debtors' counsel. The financial reporting shall include, among other things, financial statements  
20 (including balance sheets, income statements and statements of cash flow), budget reports,  
21 inventory schedules, accounts receivable schedules, accounts payable schedules, pro forma  
22 financial statements, bank account statements, payroll reports and any other report respecting the  
23 assets, liabilities, financial condition or operation of the Debtors in addition to the reporting  
24 specified in Paragraph 8.1 of this Stipulation.

25                   4.3     The Debtors acknowledge and agree that (1) the current co-CEOs, George  
26 Voskanian and Scott Sheikh, shall report to the CRO, including with respect to the operations and  
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1 management of the Debtors and the administration of the Debtors' Bankruptcy Case and their  
2 Estates; and (2) the duties and responsibilities of the CRO include the following:

3 (a) Review and analyze the Debtors and their financial results,  
4 projections, operational data and compliance with the Budget;

5 (b) Gain an understanding of the existing contractual arrangements and  
6 obligations with customers, advisors/consultants and suppliers;

7 (c) Advise the Debtors with regard to the development and  
8 implementation of a turnaround and restructuring plan;

9 (d) Assist the Debtor in managing key constituents, including  
10 communications and meetings with, and requests for information made by, creditor  
11 constituents, including secured lenders, vendors, customers and employees;

12 (e) Oversee key customer relationships;

13 (f) Provide expert testimony, if required and permitted;

14 (g) Manage cash forecasting and liquidity management procedures. In  
15 particular, assume responsibility and oversight of day-to-day cash management and  
16 initiatives to protect, preserve, and enhance liquidity;

17 (h) Review and evaluate the go-forward business;

18 (i) Conduct a review and analysis of the existing workforce and direct  
19 recruitment of new employees, where and if appropriate; and

20 (j) Execute on identified cost saving initiatives.

21 4.4 The United States Trustee reserves the right to seek entry of a court order  
22 terminating the appointment of the CRO for cause shown.

23 4.5 The Committee and Hillair shall withdraw their objections to the Notices of  
24 Insider Compensation for George Voskanian and Scott Sheikh, and Joweta Chowmentoska as to  
25 Hillair.  
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1           5.     **Postpetition Replacement Liens.** As additional adequate protection, the Debtors  
2 and their Estates hereby grant Hillair postpetition liens to secure the Prepetition Obligations as  
3 follows:

4                 5.1     Postpetition Lien Granting. Hillair shall have and is hereby granted by the  
5 Debtors, effective as of the Petition Date, a postpetition security interest and replacement lien  
6 pursuant to sections 361 and 363(e) of the Bankruptcy Code (the “Postpetition Lien”) in all  
7 present and future, prepetition and postpetition assets of the Debtors (as more particularly  
8 described in **Exhibit A** to this Stipulation), in which and to the extent that the Debtors hold an  
9 interest (collectively, the “Postpetition Collateral”).<sup>2</sup> The liens granted by this paragraph are  
10 subject to the Carve-Out and solely to the extent of any postpetition diminution in value of the  
11 Prepetition Collateral; provided, however, with respect to the Debtors’ interest in any unexpired  
12 lease of real property, the Postpetition Lien shall only extend to the Debtors’ rights to the  
13 proceeds arising from the assignment, sale, disposition or termination of such lease. The parties  
14 reserve all rights as to the determination of whether Hillair is entitled to a security interest in  
15 causes of action arising under sections 544, 545, 547, 548, 549, 553(b), 723(a), or 724(a) of the  
16 Bankruptcy Code, which shall be brought on a properly noticed motion or other proceeding.

17                 5.2     Postpetition Lien Priority. The Postpetition Lien shall be senior and have  
18 priority over all other liens and interests on and in the Collateral, except that the Postpetition Lien  
19 shall be junior only to (a) the Prepetition Lien in favor of Hillair, (b) the Carve-Out, and (c) such  
20 other valid, existing, and perfected liens or security interests existing as of the Petition Date with  
21 respect to such assets existing as of the Petition Date encumbered by such liens, and to the extent  
22 such liens or security interests were senior to the Prepetition Lien in favor of Hillair as of the  
23 Petition Date and are not otherwise avoided.

24                 5.3     Automatic Perfection of Postpetition Lien. To the extent permissible under  
25 applicable law, the Postpetition Lien shall be granted, attached, perfected and validated by virtue  
26 of the Order approving this Stipulation, without any further act required under federal, state, or  
27 \_\_\_\_\_

28     <sup>2</sup> The Prepetition Collateral and the Postpetition Collateral are collectively the “Collateral”

1 local law requiring notice, filing, registration, recording, possession or other act to validate or  
2 perfect a security interest or lien, including without limitation deposit account control agreements,  
3 merchant payment agreements, merchant payment direction letters, cash transport agreements,  
4 and such other agreements with any party possessing or asserting an interest in the Collateral (a  
5 “Perfection Act”). Notwithstanding the foregoing, if Hillair, in its sole discretion, elects to  
6 effectuate a Perfection Act, Hillair is authorized to perform such act, and if requested by Hillair,  
7 the Debtors are authorized to perform such act to the extent necessary or required, and in such  
8 event, the subject filing or recording office or agency is authorized to accept, file, and/or record  
9 any document in regard to such act in accordance with applicable law. Within ten business days  
10 following entry of an order approving this Stipulation, the Debtors shall endeavor to enter into a  
11 Deposit Account Control Agreement with Hillair and any financial institution that holds the  
12 Debtors’ deposit account. No defect or failure in connection with an attempt to perform a  
13 Perfection Act shall limit, waive, or alter the validity, enforceability, attachment, or perfection of  
14 the Postpetition Lien by virtue of entry of the Order approving this Stipulation.

15           5.4   Validity and Perfection of Postpetition Lien. Upon entry of the Order  
16 approving this Stipulation, the Postpetition Lien granted to Hillair by virtue of this Stipulation  
17 shall be valid, enforceable and perfected without any further act by Hillair.

18           5.5   Carve-Out. “Carve-Out” means a carve-out from the liens and super-  
19 priority claims granted to Hillair herein for: (a) the unpaid fees of the Clerk of the Bankruptcy  
20 Court and the Office of the United States Trustee pursuant to 28 U.S.C. § 1930(a), (b) unpaid and  
21 allowed fees and expenses of professionals of the Debtors and the professionals of the Committee  
22 (the “Professionals”) but only to the extent approved by Hillair in the Budget, and only if incurred  
23 before the delivery of a Carve-Out Trigger Notice (as defined below), and (c) unpaid and allowed  
24 fees and expenses of Professionals in an aggregate amount not to exceed \$100,000 (the  
25 “Professional Expense Cap”) incurred after delivery of a written notice by the Hillair to the  
26 Debtors (and their counsel), the U.S. Trustee, and counsel to the Committee, that a default under  
27 the Stipulation has occurred and is continuing (a “Carve-Out Trigger Notice”). For the avoidance  
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1 of doubt, the Professional Expense Cap applies only after delivery of a Carve-Out Trigger Notice.  
2 The Professional Expense Cap shall be reduced, dollar-for-dollar, by the amount of any fees,  
3 costs and expenses incurred and paid to Professionals after delivery of a Carve-Out Trigger  
4 Notice. The Debtor may pay compensation and reimbursement of expenses allowed and payable  
5 under 11 U.S.C. §§ 328, 330, 331, and 363 to Professionals as the same may be due and payable,  
6 and the same shall not reduce the Carve-Out prior to the delivery of a Carve-Out Trigger Notice.  
7 For clarity, the Prepetition Liens and the Postpetition Lien are subject to the Carve-Out.

8           5.6    Committee Investigation of Hillair Liens.   Notwithstanding anything  
9 contained herein to the contrary, the Committee may investigate the liens and claims of Hillair,  
10 and may challenge the validity, enforceability, priority, extent, or amount of such liens and  
11 claims; provided, however, that the aggregate expense for such investigation or challenge may not  
12 exceed \$25,000.00; and provided further that any action brought by the Committee pursuant to  
13 this paragraph (a “Challenge”) shall be commenced on or before July 24, 2019. In the event a  
14 Challenge is not filed on or before July 24, 2019, the Committee and all creditors and interested  
15 parties shall be bound by the provisions of this Stipulation (including without limitation, the  
16 Recitals and Sections 1, 2, 5 and 18 of this Stipulation) that confirm the validity and amount of  
17 Hillair’s claims and the validity, extent and priority of Hillair’s Prepetition Liens and Postpetition  
18 liens, and the Debtors’ lack of claims against Hillair.

19           6.       **Segregation of Cash Collateral.**

20           6.1    Segregation of the Cash Collateral.   Unless otherwise agreed upon in  
21 writing by Hillair, the Cash Collateral shall be collected, received, maintained, and segregated by  
22 the Debtors for Hillair. The Cash Collateral shall be maintained in the accounts separate and  
23 apart from any other revenue or property of the Debtors or the Debtors’ estates, shall not be  
24 commingled or intermingled with any other income or property of the Debtors or the Debtors’  
25 estates not constituting the Cash Collateral, and shall not be used except in accordance with the  
26 terms and conditions of this Stipulation.

6.2 Segregated Accounts. To the extent required by the United States Trustee, the Debtors shall maintain separate debtor in possession accounts for (a) Scoobeez, consisting of an account for (i) operating funds, (ii) payroll, and (ii) taxes, (b) Scoobeez General, consisting of an account for operating funds, and (c) Scoobur, consisting of an account for operating funds. All of the funds in each of the Operating Accounts are Cash Collateral. All cash in the Operating Accounts shall remain Cash Collateral and may only be withdrawn in accordance with this Stipulation and the attached Budget.

7. **Insurance.**

7.1 The Debtors shall maintain and insure the Collateral in sufficient amounts to adequately protect Hillair's interest in such Collateral, and include Hillair as a loss payee in accordance with the requirements of the Loan Documents. Debtors shall promptly provide in writing evidence of insurance to Hillair.

8. **Reporting Requirements.**

8.1 Periodic Reporting Requirements. The Debtors shall maintain records adequate and sufficient to account for the Cash Collateral and expenses, and shall make such records available for inspection by Hillair upon 24 hours' notice. The Debtors shall provide Hillair and the Committee within five (5) business days from the date of the entry of the order approving this Stipulation a complete accounting of the Cash Collateral and expenses relating to the Collateral from the Petition Date to the date of the entry of the Order approving this Stipulation. The Debtors shall (i) timely perform all reporting and other requirements of the Office of the United States Trustee, and (ii) provide Hillair and the Committee with the following periodic reports:

(a) a weekly report delivered on each Wednesday at 2:00 p.m. (Pacific Time) for the immediately prior week (ending on Saturday) reflecting actual receipts and expenditures by line item against those set forth in the approved cash collateral budget for such weekly period;

1 (b) on each Wednesday at 2:00 p.m. (Pacific Time), an update to the  
2 approved cash collateral budget extending the term of the budget for an additional  
3 week to reflect a rolling 13- week budget;

4 (c) a current accounts receivable aging covering postpetition  
5 receivables (with respect to payments received by the Debtors and entered into the  
6 Debtors' financial reporting system), on each Wednesday by 2:00 p.m. (Pacific  
7 Time), and current through the immediately prior week (ending on Saturday);

8 (d) a current accounts payable aging covering postpetition payables  
9 (with respect to payables where invoices have been received by the Debtors and  
10 entered into the Debtors' financial reporting system), on each Wednesday by 2:00  
11 p.m. (Pacific Time), and current through the immediately prior week (ending on  
12 Saturday);

13 (e) monthly financial statements prepared by the Debtors' financial  
14 advisor and/or reviewed by the CRO (provided that the fees for the same shall be  
15 included in the Budget) with such financial statements being delivered within  
16 thirty-five (35) calendar days (to account for closing of the books and records)  
17 following the last day of the month at issue;

18 (f) monthly bank account statements to be provided to Hillair on the  
19 5th business day following the statement closing date;

20 (g) upon request, on each Thursday at 2:00 p.m. (Pacific Time), a  
21 written update regarding the operations of the Debtors, including, without  
22 limitation, information regarding (i) relationships with key suppliers, carriers and  
23 customers since the Petition Date, and (ii) a written update of the Debtors' sales  
24 and refinancing efforts including, without limitation, potential lenders, buyers,  
25 investors, the status of any negotiations and the and terms contemplated, and the  
26 likely time frame; and  
27  
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(h) copies of all periodic reports provided to the U.S. Trustee on the date that such reports are due, subject to the Parties entering into a confidentiality agreement with respect to any confidential information provided to the U.S. Trustee.

8.2 Access to Collateral and Records. Within 48 hours of a request of Hillair, the Debtors shall permit Hillair or an agent of Hillair, reasonable access to any of the Collateral for the purpose of enabling such party to inspect, audit and appraise the Collateral and the Debtors' books and records, and to inspect books and records maintained by any agent of the Debtors at the location that those books and records are maintained.

8.3 Outstanding Requests for Documents. The Debtors shall have until June 15, 2019, to produce any outstanding documents set forth in (i) the *Motion for Entry of Order Authorizing Examination Under Federal Rule of Bankruptcy Procedure 2004* [Docket No. 35] as granted under Docket No. 49, or (ii) the prior written requests of Hillair.

9. **Section 507(b) Priority.**

9.1 As additional adequate protection, the Debtors, on their own behalf and on behalf of their Estates, hereby agree and acknowledge that, if the protections provided by the liens and security interests under the Loan Documents or this Stipulation are later determined inadequate, then to the extent of such inadequacy, Hillair shall have an allowed super priority administrative claim of the kind and priority specified in section 503(b) or 507(b): (1) with priority over all costs and expenses of administration of the Bankruptcy Case that are incurred under any provision of the Bankruptcy Code, including, without limitation, sections 503(b), 506(c), 507(a), or 522(b); and (2) with the same priority as the Postpetition Lien as set forth in this Stipulation, subject to the Carve-Out. The parties reserve all rights as to the determination of whether Hillair is entitled to a super-priority administrative claim with respect to the proceeds of causes of action arising under sections 544, 545, 547, 548, 549, 553(b), 723(a), or 724(a) of the Bankruptcy Code, which shall be brought on a properly noticed motion or other proceeding.



1           10.    **Waiver of Section 506(c) Surcharge.**

2                   10.1   Based on the authorization of the Debtors' use of the Cash Collateral  
3 pursuant to this Stipulation, the Debtors, on behalf of themselves and their Estates, waive their  
4 rights and shall not seek to surcharge the Collateral or Hillair under Section 506(c).

5           11.    **Forbearance of Remedies.**

6                   11.1   Providing that there are no uncured defaults hereunder, during the term of  
7 this Stipulation, and subject to the terms and conditions hereof, Hillair will forbear from  
8 exercising any of Hillair's rights and remedies against the Debtors under the Loan Documents  
9 and applicable law.

10          12.    **Event of Default.**

11                   12.1   Following the entry of the order approving this Stipulation, an event of  
12 default under this Stipulation (each, a "Default") shall include the following:

13                           (a)    The Debtors' failure to perform or comply with the term of this  
14 Stipulation or any other order of the Court;

15                           (b)    Any material misrepresentation of fact made by any representative  
16 of the Debtors to Hillair about the Debtors' business or financial condition or the Collateral;

17                           (c)    The granting in favor of any party other than Hillair of a security  
18 interest in or lien upon any property of the Debtors or the Debtors' estate, or a claim against the  
19 Debtors having priority over the security interests, liens or claims in favor of Hillair except to the  
20 extent that such party had a security interest in or lien upon any property of Debtors on the  
21 Petition Date which had priority over the security interests, liens or claims of Hillair existing on  
22 Petition Date, provided that any financing obtained with Hillair's consent or approved by the  
23 Court shall not constitute a Default under this section;

24                           (d)    The Debtors' failure to perform or comply with their obligations  
25 under the Bankruptcy Code, the Federal Rules of Bankruptcy Procedure or of the requirements of  
26 the Office of the United States Trustee;

(e) The termination of this Stipulation by its own terms (other than the natural expiration of the term as provided for under Paragraph 14.1) or Court order;

(f) The dismissal of the Bankruptcy Case;

(g) The appointment of a trustee under the Bankruptcy Code;

(h) The conversion of the Bankruptcy Case to a case under another chapter of the Bankruptcy Code;

(i) The submission by the Debtors of any chapter 11 plan of reorganization inconsistent in any material respect with the terms of this Stipulation unless Hillair consents to such submission;

(j) The stay, modification, amendment, vacating, or reversal of any term herein or Order approving this Stipulation, or any of the rights and acknowledgments conferred hereunder, without the express prior written consent of Hillair.

**13. Rights and Remedies Upon Default.**

13.1 Effect of Default. Immediately upon the occurrence of a Default, and subject only to the rights and remedies set forth in Paragraphs 13.2 and 13.3 of this Stipulation, all of the following shall be deemed to have occurred:

(a) Hillair's consent regarding the Debtors' use of the Cash Collateral pursuant to this Stipulation is terminated without further notice;

(b) The Debtors shall not use any Cash Collateral for any purpose;

(c) Hillair may seek relief from the automatic stay of Section 362 of the Bankruptcy Code for cause, on an emergency basis with no less than three days' notice to the Debtors and the Committee (and the Debtors and the Committee shall not oppose the expediting of such hearing provided that all parties' substantive arguments and defenses are preserved). The parties specifically waive the provisions of Rule 4001(a)(3) of the Federal Rules of Bankruptcy Procedure to the extent that the Court grants relief from stay.

13.2 If Default is "Curable." If the Default is a type that is curable by the Debtors and the Debtors cure the Default within five (5) business days from the date of service of

1 such notice of the Default, the Default is cured, and the Debtors' rights under this Stipulation  
2 shall be restored as if no Default occurred.

3 13.3 Request for Emergency Hearing. In the event of a Default under this  
4 Stipulation or the Debtors contesting that such Default occurred, the Parties hereby stipulate and  
5 agree that such Default or the contest of the Default may be heard on an emergency basis with no  
6 less than three days' notice to the Parties. This provision is subject to the Court's willingness to  
7 set the matter on an emergency basis.

8 14. **Cash Collateral Term.**

9 14.1 The authorization to use the Cash Collateral pursuant to this Stipulation  
10 shall terminate as of the earliest of the following (the "Termination Date"):

- 11 (a) June 28, 2019;  
12 (b) The occurrence of a Default, subject to the rights under Paragraphs  
13 13.2 and 13.3; or  
14 (c) The occurrence of the Effective Date of a confirmed plan of  
15 reorganization.

16 14.2 Notwithstanding the occurrence of the Termination Date or a Default, this  
17 Stipulation may be extended by Hillair and the Debtor by written agreement without further order  
18 of this Court.

19 14.3 The Parties stipulate and agree to a continued cash collateral hearing to  
20 occur on June 27, 2019 at 10:00 a.m. in the above-captioned court or to such other date and time  
21 as is convenient to the Court.

22 15. **No Modification or Stay of the Stipulation or Order.**

23 15.1 Unless expressly consented to in writing by Hillair, (a) this Stipulation, (b)  
24 an Order approving this Stipulation, and (c) the rights and remedies of Hillair under the Loan  
25 Documents and this Stipulation, shall not be subject to any stay, modification, alteration,  
26 amendment, vacating, or reversal by any order of this Court or other tribunal.  
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1           **16. Power To Waive Rights; Duties To Third Parties.**

2           16.1 Hillair shall have the right to waive any of the terms, rights, and remedies  
3 provided in this Stipulation or the Loan Documents (“Hillair Rights”), and shall have no  
4 obligation or duty to any other party with respect to the exercise or enforcement, or failure to  
5 exercise or enforce any Hillair Rights. Any waiver by Hillair of any Hillair Rights shall not be or  
6 constitute a continuing waiver. Hillair’s delay in or failure of exercising or enforcing any of  
7 Hillair Rights shall neither constitute a waiver of such Hillair Rights, subject Hillair to any  
8 liability to any other party, nor cause or enable any other party to rely upon or in any way seek to  
9 assert as a defense to any obligations or indebtedness owed to Hillair.

10           **17. Reservation of Rights.**

11           17.1 Except as otherwise stated herein, the Parties reserve all of their respective  
12 rights and remedies.

13           **18. The Debtors’ Acknowledgment.**

14           18.1 Notwithstanding any other provision of this Stipulation, the Debtors  
15 acknowledge and agree that (a) the Prepetition Obligations are valid and indefeasible obligations  
16 of the Debtors and their estate, in accordance with their terms; and (b) the liens and security  
17 interests in favor of Hillair with respect to the Collateral, both prepetition and postpetition,  
18 including the Cash Collateral, are valid, enforceable, perfected, and unavoidable under the  
19 Bankruptcy Code, including Section 552, and any other applicable law. The Prepetition  
20 Obligations and any postpetition obligations arising hereunder shall include reasonable  
21 professional fees and costs incurred by Hillair in connection with the representation of Hillair in  
22 this matter, including the enforcement of its rights and remedies under the Loan Documents and  
23 the representation of Hillair in all aspects of the Bankruptcy Case, to the extent permitted to be  
24 charged to the Debtors under the Loan Documents or applicable law. Hillair acknowledges that  
25 payments of postpetition interest and fees are subject to 11 U.S.C. § 506(b).

19. **No Action for Purposes of the One Form of Action Rule.**

19.1 The Debtors hereby waive each of the provisions of Code of Civil Procedure Sections 726, 580a, 580b or 580d or other similar law which provide for an election of remedies or an “action” to the extent such law is applicable.

20. **Notice.**

20.1 Except as otherwise provided herein, when notice is required in this Stipulation, it shall be delivered or served upon the parties via overnight mail with a courtesy to counsel via email as follows:

If to Hillair:

Hillair Capital Management, LLC  
Attn: Sean McAvoy  
345 Lorton Avenue, Suite 303  
Burlingame, California 94010

with a copy to counsel for Hillair, which shall not constitute notice hereunder:

Buchalter, a Professional Corporation  
Attn: Steven M. Spector, Esq.  
1000 Wilshire Boulevard, 15th Floor  
Los Angeles, California 90017  
Telephone: (213) 891-0700  
Facsimile: (213) 896-0400  
Email: sspector@buchalter.com

If to the Debtors, as applicable:

Soobeez  
Attn: George Voskanian  
3463 Foothill Boulevard  
Glendale, California 91214

Scoobeez Global, Inc.  
Attn: George Voskanian  
3463 Foothill Boulevard  
Glendale, California 91214

Scoobur, LLC  
Attn: George Voskanian  
3463 Foothill Boulevard  
Glendale, California 91214

with a copy to counsel for the Debtors, which shall not constitute notice hereunder:

Foley & Lardner LLP  
Attn: Ashley M. McDow, Esq.  
555 South Flower Street, Suite 3300  
Los Angeles, CA 90071  
Telephone: (213) 972-4500  
Facsimile: (213) 486-0065  
Email: amcdow@foley.com

Foley & Lardner LLP  
Attn: John A. Simon, Esq.

500 Woodward Avenue, Suite 2700  
Detroit, MI 48326  
Telephone: (313) 234-7100  
Facsimile: (313) 234-2800  
Email: jsimon@foley.com

If to the Committee:

Avitus, Inc.  
Attn: Donald Reile, Chairman of the Committee  
175 North 27th Street, Suite 800  
Billings, MT 59101

with a copy to counsel for the Committee,  
which shall not constitute notice  
hereunder:

Levene Neale Bender Yoo & Brill L.L.P.  
Attn: David Neale, Esq.  
10250 Constellation Blvd., Suite 1700  
Los Angeles, CA 90067  
Telephone: (310) 229-1234  
Facsimile: (310) 229-1244  
Email: dln@lnbyb.com

**21. No Responsible Person Liability.**

21.1 In making decisions or in taking other actions reasonably related to this Stipulation, Hillair shall have no liability to any third party including creditors and equity interest holders of the Debtors. Hillair shall not be deemed to be in control of the operations of the Debtors or to be acting as a “responsible person,” “owner” or “operator” with respect to the operation or management of the Debtors.

**22. No Agreement to Provide Financial Accommodation.**

22.1 This Stipulation shall not impose any duty or obligation to provide any financing or financial accommodation to the Debtors, or to any other entity, to collect, sell, lease or otherwise dispose of any of the Collateral, to proceed against any entity, to proceed against or exhaust any security, or to otherwise pursue any of Hillair’s Rights.

**23. Access to the Debtors’ Books and Records.**

23.1 Hillair shall have full, complete, unqualified and unlimited access to the books and records of the Debtors during normal business hours for the purpose of inspection, photocopying and audit upon 24 hours’ notice via email from counsel to Hillair to counsel to the Debtors.

1           24.    **Miscellaneous Provisions.**

2                   24.1   Jointly Negotiated Stipulation.   This Stipulation is the product of  
3 negotiation among the parties hereto and represents the joint, conceived, bargained for and agreed  
4 upon language mutually determined by the parties to express their intentions in entering into this  
5 Stipulation. Any ambiguity or uncertainty herein shall be deemed to be caused by, or attributable  
6 to, all parties collectively. In any action to enforce or interpret this Stipulation, it shall be  
7 construed in a neutral manner and no term or condition herein shall be construed more or less  
8 favorably to any one party or groups of parties. Each party will act in good faith in the  
9 performance of its obligations hereunder.

10                  24.2   Authorization to Execute this Stipulation. Counsel for the parties to this  
11 stipulation represent and warrant that they have authorization to execute this Stipulation on behalf  
12 of their respective parties, and subject to Court approval.

13                  24.3   Consent to Entry of Order. The Parties each consent to the entry of an  
14 order acceptable to the Parties approving this Stipulation.

15                  24.4   Binding Effect. Except as otherwise provided herein, this Stipulation shall  
16 be binding upon the Parties and their respective successors and assigns, including any trustee  
17 appointed in this Bankruptcy Case or any subsequently converted bankruptcy case of the Debtors.  
18 This Stipulation shall also inure to the benefit of Hillair and the Debtors, and their respective  
19 successors and assigns.

20                  24.5   Counterparts. This Stipulation may be executed in counterparts, and such  
21 signatures may be by facsimile.

22                  24.6   Time of the Essence. Each of the Parties expressly acknowledges and  
23 agrees that time is of the essence and that all dates and time periods provided for in this  
24 Stipulation are absolute and final.

25                  24.7   Survival of Terms. Notwithstanding any term to the contrary herein, the  
26 terms and conditions of this Stipulation shall apply only during the term of this Stipulation prior  
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1 to the Termination Date, provided, however, that the rights and remedies granted the Parties shall  
2 survive the term of this Stipulation and Termination Date.

3           24.8 No Benefit to Non-Parties. This Stipulation is not intended, nor shall it be  
4 construed or deemed to confer any rights, powers or privileges on any entity that is not the  
5 Debtors or Hillair as express signatories to this Stipulation. Specifically, no benefit is extended to  
6 any surety or guarantor (other than the Debtors) of the obligations, and Hillair reserves all of its  
7 rights with respect to such non-parties.

8           24.9 Further Assurances. The Debtors are authorized and shall perform all acts  
9 and execute and deliver to Hillair all agreements, financing statements, instruments or documents  
10 as may be reasonably requested by Hillair to effectuate the terms of this Stipulation or as  
11 contemplated herein.



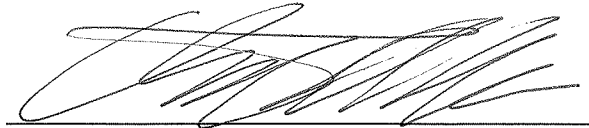
[SIGNATURE PAGE FOLLOWS]

IT IS SO STIPULATED:

DATED: June 6, 2019

BUCHALTER, a Professional Corporation

By:



STEVEN M. SPECTOR  
ANTHONY J. NAPOLITANO

Attorneys for Secured Creditor  
Hillair Capital Management, LLC

DATED: June 6, 2019

FOLEY & LARDNER, LLP

By:



ASHLEY M. McDOW  
JOHN A. SIMON

Proposed Attorneys for the Debtors

DATED: June 6, 2019

LEVENE NEALE BENDER YOO & BRILL L.L.P.

By:



DAVID NEALE  
J.P. FRITZ

Proposed Attorneys for the Committee

**Exhibit A**

**Collateral Description**

The following collateral description is taken from that certain Security Agreement executed on October 7, 2016 by ABT Holdings, Inc., Scoobeez Global, Inc., Scoobeez Inc. and Scoobur LLC, on the one hand, and Hillair Capital Investments L.P., on the other hand. Capitalized terms not defined herein are as they are defined in the Security Agreement. To the extent of any conflict between this Collateral description and the description in the Security Agreement, the Security Agreement controls.

(a) "Collateral" means the collateral in which the Secured Parties are granted a security interest by this Agreement and which shall include the following personal property of the Debtors, whether presently owned or existing or hereafter acquired or coming into existence, wherever situated, and all additions and accessions thereto and all substitutions and replacements thereof, and all proceeds, products and accounts thereof, including, without limitation, all proceeds from the sale or transfer of the Collateral and of insurance covering the same and of any tort claims in connection therewith, and all dividends, interest, cash, notes, securities, equity interest or other property at any time and from time to time acquired, receivable or otherwise distributed in respect of, or in exchange for, any or all of the Pledged Securities (as defined below):

(i) All goods, including, without limitation, (A) all machinery, equipment, computers, motor vehicles, trucks, tanks, boats, ships, appliances, furniture, special and general tools, fixtures, test and quality control devices and other equipment of every kind and nature and wherever situated, together with all documents of title and documents representing the same, all additions and accessions thereto, replacements therefor, all parts therefor, and all substitutes for any of the foregoing and all other items used and useful in connection with any Debtor's businesses and all improvements thereto; and (B) all inventory;

(ii) All contract rights and other general intangibles, including, without limitation, all partnership interests, membership interests, stock or other securities, rights under any of the Organizational Documents, agreements related to the Pledged Securities, licenses, distribution and other agreements, computer software (whether "off-the-shelf", licensed from any third party or developed by any Debtor), computer software development rights, leases, franchises, customer lists, quality control procedures, grants and rights, goodwill, Intellectual Property and income tax refunds;

(iii) All accounts, together with all instruments, all documents of title representing any of the foregoing, all rights in any merchandising, goods, equipment, motor vehicles and trucks which any of the same may represent, and all right, title, security and guaranties with respect to each account, including any right of stoppage in transit;

(iv) All documents, letter-of-credit rights, instruments and chattel paper;

(v) All commercial tort claims;

1 (vi) All deposit accounts and all cash (whether or not deposited in  
2 such deposit accounts);

3 (vii) All investment property;

4 (viii) All supporting obligations; and

5 (ix) All files, records, books of account, business papers, and  
6 computer programs; and

7 (x) the products and proceeds of all of the foregoing Collateral  
8 set forth in clauses (i)-(ix) above.

9 Without limiting the generality of the foregoing, the "Collateral" shall  
10 include all investment property and general intangibles respecting ownership  
11 and/or other equity interests in each Guarantor, including, without limitation, the  
12 shares of capital stock and the other equity interests listed on Schedule H hereto  
13 (as the same may be modified from time to time pursuant to the terms hereof), and  
14 any other shares of capital stock and/or other equity interests of any other direct or  
15 indirect subsidiary of any Debtor obtained in the future, and, in each case, all  
16 certificates representing such shares and/or equity interests and, in each case, all  
17 rights, options, warrants, stock, other securities and/or equity interests that may  
18 hereafter be received, receivable or distributed in respect of, or exchanged for,  
19 any of the foregoing and all rights arising under or in Connection with the  
20 Pledged Securities, including, but not limited to, all dividends, interest and cash.

21 Notwithstanding the foregoing, nothing herein shall be deemed to constitute  
22 an assignment of any asset which, in the event of an assignment, becomes void by  
23 operation of applicable law or the assignment of which is otherwise prohibited by  
24 applicable law (in each case to the extent that such applicable law is not  
25 overridden by Sections 9-406, 9-407 and/or 9-408 of the UCC or other similar  
26 applicable law); provided, however, that to the extent permitted by applicable law,  
27 this Agreement shall create a valid security interest in such asset and, to the extent  
28 permitted by applicable law, this Agreement shall create a valid security interest  
in the proceeds of such asset.

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**Exhibit B**  
**3 Week Budget**  
**[June 7, 2019 through June 28, 2019]**

Week No.	Week Ended											
	Actual 5/17/2019	Actual 5/24/2019	Actual 5/31/2019	Forecast 6/7/2019	Forecast 6/14/2019	Forecast 6/21/2019	Forecast 6/28/2019	Forecast 7/5/2019	Forecast 7/12/2019	Forecast 7/19/2019	6-Week Total	Percent of Receipts
Invoiced	905,000	945,000	945,000	945,000	945,000	945,000	945,000	845,000	1,000,000	900,000		
Beginning Cash	1,140,000	1,035,630	1,385,708	2,172,173	1,741,550	1,855,900	1,504,000	2,116,850	968,462	1,788,812	1,741,550	
Collections	907,638	904,782	908,263	880,000	905,000	945,000	945,000	945,000	945,000	945,000	5,630,000	100.0%
Cash Disbursements:												
Fuel	52,596	50,000	63,280	60,000	60,000	60,000	60,000	50,000	60,000	60,000	350,000	6.2%
Payroll & Payroll Expenses	852,532	399,189	10,705	996,573	-	1,130,000	-	1,130,000	-	1,110,000	3,370,000	59.9%
Corporate Payroll & Expenses	-	-	-	42,250	-	42,250	65,000	42,250	-	42,250	191,750	3.4%
Vehicle - Hertz	97	-	-	-	520,000	-	90,000	-	-	420,000	1,030,000	18.3%
Vehicle - Accidents/Tolls/Citations	-	-	-	2,500	-	2,500	-	2,500	-	2,500	7,500	0.1%
Worker's Compensation	-	-	-	7,000	150,000	7,000	7,000	7,000	7,000	150,000	328,000	5.8%
Rent & Utilities	6,498	2,361	-	20,500	-	-	20,500	-	-	-	20,500	0.4%
Insurance	48,568	54,705	300	80,000	-	-	20,000	-	80,000	-	80,000	1.4%
Phones & Service	2,942	5,281	2,654	20,000	-	-	20,000	-	-	20,000	40,000	0.7%
Travel	-	-	29	-	7,500	-	7,500	-	7,500	-	22,500	0.4%
IT Expenses	-	-	-	15,000	-	5,000	-	15,000	-	5,000	25,000	0.4%
Dues & Subscriptions	460	801	-	16,650	-	-	9,000	16,650	-	-	25,650	0.5%
Car Wash	-	-	-	-	3,000	-	3,000	-	-	3,000	9,000	0.2%
Other Expenses	8,225	2,188	4,740	10,000	10,000	10,000	10,000	10,000	10,000	10,000	60,000	1.1%
Total Operating Cash Disbursements	971,918	514,525	81,708	1,270,473	750,500	1,256,750	292,000	1,353,400	84,500	1,822,750	5,559,900	98.8%
Operating Cash Flow	(64,280)	390,258	826,556	(390,473)	154,500	(311,750)	653,000	(408,400)	860,500	(877,750)	70,100	1.2%
Financing Cash Flows												
Debt Principal	-	-	-	-	-	-	-	-	-	-	-	0.0%
Debt Interest	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	240,000	4.3%
Bank Fees	90	180	90	150	150	150	150	150	150	150	900	0.0%
Financing Cash Flows	40,090	40,180	40,090	40,150	40,150	40,150	40,150	40,150	40,150	40,150	240,900	4.3%
Restructuring Cash Flows												
Debtor Counsel	-	-	-	-	-	-	-	350,000	-	-	350,000	6.2%
Debtor CRO	-	-	-	-	-	-	-	20,000	-	-	20,000	0.4%
Debtor Advisor	-	-	-	-	-	-	-	60,000	-	-	60,000	1.1%
Board of Directors (2 Individuals)	-	-	-	-	-	-	-	5,000	-	-	5,000	0.1%
Buchalter	-	-	-	-	-	-	-	140,000	-	-	140,000	2.5%
Committee Counsel	-	-	-	-	-	-	-	20,000	-	-	20,000	0.4%
Committee Professionals	-	-	-	-	-	-	-	50,000	-	-	50,000	0.9%
Post Petition US Trustee Fees	-	-	-	-	-	-	-	54,838	-	-	54,838	1.0%
Restructuring Cash Flows	-	-	-	-	-	-	-	699,838	-	-	699,838	12.4%
Net Total Cash Flow In / (Out)	(104,370)	350,078	786,466	(430,623)	114,350	(351,900)	612,850	(1,148,388)	820,350	(917,900)	(870,638)	-15.5%
Cumulative Cash Flow	-	-	-	-	-	(237,550)	375,300	(773,088)	47,262	(870,638)		
Ending Cash Balance	1,035,630	1,385,708	2,172,173	1,741,550	1,855,900	1,504,000	2,116,850	968,462	1,788,812	870,912		
Collateral Package												
Cash on Hand	1,035,630	1,385,708	2,172,173	1,741,550	1,855,900	1,504,000	2,116,850	968,462	1,788,812	870,912		
AR Roll Forward	3,485,718	3,530,000	3,570,000	3,640,000	3,680,000	3,680,000	3,680,000	3,580,000	3,640,000	3,600,000		
Loan Receivable and Uncategorized Assets	1,654,172	1,654,172	1,654,172	1,654,172	1,654,172	1,654,172	1,654,172	1,654,172	1,654,172	1,654,172		
Fixed Assets	868,687	868,687	868,687	868,687	868,687	868,687	868,687	868,687	868,687	868,687		
Other Assets	62,668	62,668	62,668	62,668	62,668	62,668	62,668	62,668	62,668	62,668		
Total Collateral (1)	7,106,876	7,501,235	8,327,700	7,967,077	8,121,427	7,769,527	8,382,377	7,133,989	8,014,339	7,056,439		
Estimated Outstanding Secured Loan (2)	11,000,000	11,000,000	11,000,000	11,000,000	11,000,000	11,000,000	11,000,000	11,000,000	11,000,000	11,000,000		

(1) Collateral details and amounts are being reviewed by the debtor and its advisors, and is subject to material changes.  
(2) Estimated outstanding secured loan balance was provided by Hillair Capital's counsel and is disputed and currently under review by the debtor and its advisors.

**PROOF OF SERVICE OF DOCUMENT**

I am over the age of 18 and not a party to this bankruptcy case or adversary proceeding. My business address is:  
BUCHALTER, 1000 Wilshire Blvd, Suite 1500, Los Angeles, CA 90017

A true and correct copy of the foregoing document entitled (*specify*) **SECOND STIPULATION BETWEEN THE DEBTORS, THE COMMITTEE AND HILLAIR CAPITAL MANAGEMENT FOR (1) AUTHORIZATION TO USE CASH COLLATERAL ON AN INTERIM BASIS; (2) APPOINTMENT OF A CHIEF RESTRUCTURING OFFICER** will be served or was served (**a**) on the judge in chambers in the form and manner required by LBR 5005-2(d); and (**b**) in the manner stated below:

**1. TO BE SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING (NEF):** Pursuant to controlling General Orders and LBR, the foregoing document will be served by the court via NEF and hyperlink to the document. On (*date*) June 6, 2019, I checked the CM/ECF docket for this bankruptcy case or adversary proceeding and determined that the following persons are on the Electronic Mail Notice List to receive NEF transmission at the email addresses stated below:

John-Patrick M Fritz jpf@lnbyb.com, JPF.LNBYB@ecf.inforuptcy.com

- Alvin Mar alvin.mar@usdoj.gov
- Ashley M McDow amcdow@foley.com, sgaeta@foley.com; mhebbeln@foley.com; swilson@foley.com; jsimon@foley.com
- Rejoy Nalkara rejoy.nalkara@americaninfosource.com
- Anthony J Napolitano anapolitano@buchalter.com, IFS\_filing@buchalter.com; salarcon@buchalter.com
- David L. Neale dln@lnbyb.com
- Gregory M Salvato gsalvato@salvatolawoffices.com, calendar@salvatolawoffices.com; jboufadel@salvatolawoffices.com; gsalvato@ecf.inforuptcy.com
- Steven M Spector sspector@buchalter.com, IFS\_efiling@buchalter.com; salarcon@buchalter.com
- United States Trustee (LA) ustpreion16.la.ecf@usdoj.gov

☐ Service information continued on attached page

**2. SERVED BY UNITED STATES MAIL:**

On (*date*) June 6, 2019, I served the following persons and/or entities at the last known addresses in this bankruptcy case or adversary proceeding by placing a true and correct copy thereof in a sealed envelope in the United States mail, first class, postage prepaid, and addressed as follows. Listing the judge here constitutes a declaration that mailing to the judge will be completed no later than 24 hours after the document is filed.

Debtor

Scoobeez  
3463 Foothill Blvd.  
Glendale, CA 91214

☐ Service information continued on attached page

**3. SERVED BY PERSONAL DELIVERY, OVERNIGHT MAIL, FACSIMILE TRANSMISSION OR EMAIL** (*state method*

*for each person or entity served*): Pursuant to F.R.Civ.P. 5 and/or controlling LBR, on (*date*) June 6, 2019, I served the following persons and/or entities by personal delivery, overnight mail service, or (for those who consented in writing to such service method), by facsimile transmission and/or email as follows. Listing the judge here constitutes a declaration that personal delivery on, or overnight mail to, the judge will be completed no later than 24 hours after the document is filed.

☐ Service information continued on attached page

I declare under penalty of perjury under the laws of the United States that the foregoing is true and correct.

VIA COURIER

Presiding Judge  
Hon. Julia W. Brand  
U.S. Bankruptcy Court – Central District of California  
Edward R. Roybal Federal Building and Courthouse  
255 E. Temple Street, Suite 1382  
Los Angeles, CA 90012

June 6, 2019

Sandra Alarcon

/s/ Sandra Alarcon

*Date*

*Printed Name*

*Signature*